



# MAYOR AND COUNCIL WORKSESSION

NO. 4/ DEPT.: Finance /  
CONTACT: Donna Boxer

DATE: November 9, 2004

**SUBJECT FOR DISCUSSION:** First Quarter Report on  
FY2005 General Fund and Enterprise Fund Operations.

**ORDER OF DISCUSSION:**

See text below.

For the meeting of: November 15,  
2004

## **GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED:**

Comments by the Mayor and Council are sought on the information contained in the materials described below.

1. Third Quarter Report on FY2005 General Fund and Enterprise Fund Operations: Staff will present the memoranda and answer any questions from the Mayor and Council.

## **LIST OF ATTACHMENTS:**

1. Third Quarter Report on FY2005 General Fund and Enterprise Fund Operations.
2. Memorandum on COPS grant funding status.
3. Memorandum on the RedGate Golf Course budget



City of Rockville

## MEMORANDUM

November 9, 2004

TO: Mayor and Council

FROM: Donna J. Boxer, Director of Finance  
Dominic Del Pozzo, Budget Officer  
Susan J. Lander, Revenue Supervisor

VIA: Catherine Tuck Parrish, Acting City Manager

SUBJECT: 1st Quarter Report on FY 2005 General Fund and Enterprise Funds Operations

The purpose of this memorandum is to present a report on operations for the first quarter of FY 2005 for the City's General Fund and Enterprise Funds. This memo is organized as follows:

- I. Overview
- II. General Fund Revenues
- III. Assessed Value of Real Property
- IV. General Fund Expenditures
- V. Contingency History
- VI. Capital Projects Fund
- VII. Enterprise Fund Revenues and Expenses
- VIII. Major Variances and Issues to Monitor

The charts in this memo reflect a quarterly comparison of adopted budget, actuals, and percent realized as well as the actuals variance between fiscal years. Beginning with the second quarter report, the charts will also include comparisons of revised budgets and a year-end projection for the current fiscal year.

### I. OVERVIEW OF GENERAL FUND RESULTS

The major variances by revenue source are described in detail in Section II below. As of the end of the first quarter, 14.69% of budgeted revenue had been collected compared to 14.55% for the comparable period for the prior fiscal year. Section IV outlines expenditures by category and identifies the major variances. Because most variances early in the year are the result of timing

differences. drawing conclusions for the General Fund on an overall basis solely based on year to date expenditures is problematic. As noted above a year-end projection will be provided with the second quarter report.

One of the City's fiscal targets is to maintain the undesignated fund balance in the General Fund at or above 15% of annual revenue. These funds provide a cushion to allow the City to continue to provide services even under the most negative of unanticipated circumstances. The chart below shows the estimated fund balance at the end of FY 2004 based on the current budgeted level of revenue and expenditures. As indicated, the beginning balance was \$9.3 million or 19.5% of FY 2005 budgeted revenue. The estimated fund balance at year-end net of the planned annual contribution to the CIP is \$9.1 million or 19.0% of budgeted revenue. This represents a variance of \$2.1 million from the target level of 15%. As the budget is modified during the year the impact on the estimated fund balance will be indicated.

### General Fund Undesignated Fund Balance

	FY 2005 Budgeted Amount	Percent of Revenue
Balance, 6/30/04	9,259,794	19.5%
Plus: budgeted revenue	47,601,499	
Plus: designated/reserved fund balance	1,334,546	
Less: budgeted expenditures	48,936,045	
Less: planned annual contribution to the CIP	200,000	
<b>Estimated Balance, 6/30/05</b>	<b>9,059,794</b>	<b>19.0%</b>
Increase (decrease) during FY 2005	<b>(\$200,000)</b>	
<b>Target fund balance</b>	<b>7,140,225</b>	<b>15.0%</b>
Variance from target	<b>2,119,569</b>	

Approximately \$1.5 million of the \$2.1 million variance from the target fund balance is available for one-time uses in the operating budget or CIP. Possible uses include:

- Unreimbursed portion of COPS grant (see attached memorandum), \$450,000 - \$900,000
- Additional cost for financial system, \$150,000
- Additional cost for City Hall renovation, \$200,000
- Additional cost for asphalt and concrete, \$250,000
- Additional cost for Town Center, as necessary.

## II. GENERAL FUND REVENUES

### Comparison of General Fund Actual to Budgeted Revenue for the Period Ended September 30, 2004

	(1)			(2)				
	FY 2005	FY 2005		FY 2004	FY 2004			
Source	Adopted	Actual	Percent	Adopted	Actual	Percent	(1-2)	
of Revenue	Budget	As of 09/04	Realized	Budget	As of 09/03	Realized	Variance	Notes
Property taxes:								
Real property	21,894,000	1,693,649	7.74%	19,660,500	1,773,768	9.02%	(80,119)	(1)
Personal property	3,220,000	233,440	7.25%	3,545,000	119,306	3.37%	(14,134)	(1)
Income taxes:	6,456,175	468,654	7.26%	6,345,000	829,142	13.07%	(360,488)	(1)
Intergovernmental revenue:								
Gas/ vehicle tax	2,158,695	392,101	18.16%	1,789,506	167,030	9.33%	225,071	(2)
Tax duplication payment	1,698,450	1,698,450	100.00%	1,258,500	1,259,511	100.08%	438,939	(3)
Admission/amusement tax	1,139,912	-	0.00%	1,106,500	-	0.00%	-	
Police protection grants	562,075	151,315	26.92%	592,173	124,399	21.01%	26,916	
Youth services grant	283,390	-	0.00%	276,936	2,205	0.80%	(2,205)	
Cable franchise fee	427,750	-	0.00%	363,441	95,018	26.14%	(95,018)	(4)
Other	59,175	19,902	33.63%	47,395	2,621	5.53%	17,281	
Licenses and permits:								
Building permits	1,325,000	280,617	21.18%	1,566,000	324,980	20.75%	(44,363)	
Other	486,500	41,625	8.56%	474,150	29,010	6.12%	12,615	
Charges for services:								
Recreation fees	4,476,744	1,491,798	33.32%	4,277,171	1,463,261	34.21%	28,537	
PW permit fees	350,000	30,002	8.57%	374,000	85,069	22.75%	(55,067)	
Zoning and planning fees	160,000	60,914	38.07%	160,000	28,025	17.52%	32,889	
Other	234,400	79,550	33.94%	481,860	64,858	13.46%	14,692	
Use of money/property:								
Interest income	150,000	30,816	20.54%	250,000	28,419	11.37%	2,397	
Rental income	140,900	20,020	14.21%	127,922	(6,642)	(5.19%)	26,662	(5)
Other revenue:								
Sale of land (includes interest)	-	-	0.00%	-	-	0.00%	0	
Red Light Camera	600,000	129,822	21.64%	645,600	81,025	12.55%	48,797	(6)
Admin. charges to other funds	1,382,127	-	0.00%	1,293,327	-	0.00%	-	
Other	396,206	73,189	18.47%	297,032	64,640	21.76%	8,549	
Total Revenue**	47,601,499	6,895,864	14.69%	44,932,013	6,535,645	14.55%	360,219	

\*\* Total Revenue does not include the budget amounts for Appropriated Fund Balance. These amounts are: FY 2004 Adopted Budget \$250,700; FY 2005 Adopted Budget \$1,334,546.

Notes to Revenue Schedule:

- 1) **Variances in the first quarter:** Early revenues from these sources may vary widely from one year to the next. Therefore, at this point, these variances should not be seen as indicators of future performance.
- 2) **Gas and vehicle tax:** FY05 first quarter revenues appear to be well ahead of FY04, but this is the result of an accounting change. Beginning in FY05, accrual reversals are being done at the end of the fiscal year rather than at the beginning. This will allow for a clearer presentation of financial data that will be free of the artificial variations caused by accruals and accrual reversals.
- 3) **Tax duplication payment:** The higher tax duplication payment in FY05 reflects the County's higher street maintenance costs for the winter of FY03, the year on which this payment is based.
- 4) **Cable franchise fee:** FY05 first quarter revenues are lower than FY04 because the City received an early payment in FY04.
- 5) **Rental income:** The FY05 rental income projection included \$30,000 for the King Farm homestead property. Assuming the property will not be rented in FY05, this line will need to be reduced by \$30,000. This would be part of the first budget amendment.
- 6) **Red light cameras:** Revenues are significantly higher than last year because the City is using higher quality cameras and has changed the location of the cameras.

### III. ASSESSED VALUE OF REAL PROPERTY

	Assumptions in FY 2005 Budget	Assessed Value As of 09/04	Variance
Beginning of fiscal year	7,076,523,774	7,043,517,598	(33,006,176)
New property-beg of year	48,826,640	66,300,000	17,473,360
New property-3/4 year	48,826,640	N/A	(48,826,640)
New property-1/2 year	48,826,640	N/A	(48,826,640)
New property-1/4 year	<u>48,826,640</u>	<u>N/A</u>	<u>(48,826,640)</u>
Sub-Total	7,271,830,334	7,109,817,598	(162,012,736)
Timing, appeals or other reductions	(295,306,506)	(331,737)	294,974,769
Total	6,976,523,828	7,109,485,861	132,962,033
Associated tax revenue	21,894,000	22,320,231	426,231
Modified Budget		N/A	
Actual, as of 9/30/04		1,693,649	

New property is added to the tax rolls at the beginning of the tax year and the conclusion of the first, second and third quarters of the year. Taxes added mid-year are billed on a pro-rata basis. Only a portion of the anticipated new property was included in budgeted revenue. Based on information provided by the State Department of Assessments and Taxation and Montgomery County, the assessed value of real property at the beginning of FY 2005 increased by approximately \$603 million or 9.5% above the prior year amount, from \$6.3 billion to \$7.0 billion. Approximately 39% of this amount, or \$233 million, is estimated to be the result of the addition of new property to the City's tax base; the remaining \$370 million is estimated to be the result of the reassessment of existing property.

#### IV. GENERAL FUND EXPENDITURES

##### Comparison of General Fund Actual to Budgeted Expenditures for the Period Ended September 30, 2004

Expenditure Category	(1)			(2)			(1-2) Variance	Notes
	FY 2005 Adopted Budget	FY 2005 Actual As of 09/04	Percent Realized	FY 2004 Adopted Budget	FY 2004 Actual As of 09/03	Percent Realized		
Personnel								
Salary	25,161,476	5,675,642	22.56%	23,901,510	4,799,391	20.08%	876,251	(1)
Fringe Benefits	6,355,329	1,691,102	26.61%	5,609,352	1,353,675	24.13%	337,427	(1)(2)
Sub-total	31,516,805	7,366,744	23.37%	29,510,862	6,153,066	20.85%	1,213,678	
Contractual Services								
Professional services	2,720,872	249,982	9.19%	1,687,859	168,501	9.98%	81,481	
Office expenses	790,504	111,666	14.13%	816,987	224,382	27.46%	(112,716)	
Employment & training	557,907	136,252	24.42%	570,352	126,630	22.20%	9,622	
Maintenance & repair	2,167,365	280,506	12.94%	2,163,119	313,206	14.48%	(32,700)	
Service provision	575,603	123,302	21.42%	582,297	116,183	19.95%	7,119	
Insurance	212,936	212,936	100.00%	169,650	169,650	100.00%	43,286	
Leases	80,695	13,816	17.12%	75,155	9,881	13.15%	3,935	
Sub-total	7,105,882	1,128,460	15.88%	6,065,419	1,128,433	18.60%	27	
Commodities								
Utility costs	1,448,502	221,972	15.32%	1,104,217	204,487	18.52%	17,485	(3)
Supplies	1,987,402	381,972	19.22%	2,054,873	427,402	20.80%	(45,430)	
Contingency	432,303	-	0.00%	978,396	-	0.00%	-	
Sub-total	3,868,207	603,944	15.61%	4,137,486	631,889	15.27%	(27,945)	
Capital Outlays								
Land & building improvement	-	-	100.00%	-	-	100.00%	-	
Equipment	501,562	33,880	6.75%	562,035	33,759	6.01%	121	
Sub-total	501,562	33,880	6.75%	562,035	33,759	6.01%	121	
Non-operating expenditures								
Disposal of scrap	7,500	-	0.00%	5,000	-	0.00%	-	
Community assistance	14,862	64	0.43%	23,420	172	0.73%	(108)	
Outside agencies	865,806	370,779	42.82%	811,537	478,839	59.00%	(108,060)	
Sub-total	888,168	370,843	41.75%	839,957	479,011	57.03%	(108,168)	
<b>Total Expenditures</b>	<b>43,880,624</b>	<b>9,503,871</b>	<b>21.66%</b>	<b>41,115,759</b>	<b>8,426,158</b>	<b>20.49%</b>	<b>1,077,713</b>	
Transfers to other funds								
Debt Service Fund	3,833,133	-	0.00%	3,598,662	-	0.00%	-	
Capital Projects Fund	1,185,496	-	0.00%	431,500	-	0.00%	-	
Other funds	36,792	-	0.00%	36,792	-	0.00%	-	
Sub-total	5,055,421	-	0.00%	4,066,954	-	0.00%	-	
<b>Total Expenditures and Transfers</b>	<b>48,936,045</b>	<b>9,503,871</b>	<b>19.42%</b>	<b>45,182,713</b>	<b>8,426,158</b>	<b>18.65%</b>	<b>1,077,713</b>	

Notes to Expenditure Schedule:

- 1) **Personnel costs:** The increase in FY05 mainly reflects an accounting change (over 80 percent of the variance), but also includes increased costs for merit, COLA, health care, retirement, and other benefits. Regarding the accounting change, beginning in FY05, accrual reversals are being done at the end of the fiscal year rather than at the beginning. This will allow for a clearer presentation of financial data that will be free of the artificial variations caused by accruals and accrual reversals.
  - 2) **Retirement plan:** The budget for FY05 retirement costs has been reviewed in light of the actuarial report that was recently received; the initial estimate is that retirement costs in the General Fund may be under budget by approximately \$65,000. This issue will be addressed in the first budget amendment.
  - 3) **Utility costs:** Utility expenditures are running approximately ten percent ahead of last year at this point, but budgets have been increased by thirty percent, indicating that there may not be a need to provide additional utility funding in FY05. Nonetheless, there are projections of deficits in a few electricity accounts if the current pace of spending on electricity continues. The Civic Center, for example, reports electricity spending up 24 percent from last year.
- Note:** Beginning with this quarterly report, the budget office has instituted a procedure whereby departments are asked to review their spending each quarter and highlight any issues that should be raised in the quarterly report. The focus is on identifying cases in which spending is projected to go over budget.



## **V. CONTINGENCY HISTORY**

### **FY 2005 Contingency History – General Fund For the Period Ended September 30, 2004**

Adopted Budget Contingency Level:		\$432,303
One-time Contingency	\$176,557	
Ongoing Contingency	\$255,746	
Uses of Contingency Funds:		
Washington Metropolitan Council of Govts.		\$15,316
September 30, 2004 Contingency Level:		\$416,987
One-time Contingency	\$176,557	
Ongoing Contingency	\$240,430	
Future Uses of Contingency:		
Refuse Study	\$20,000	
Internal Control Study	\$7,000	

## **VI. CAPITAL PROJECTS FUND**

Expenditures of \$5.5 million were recorded as of the first quarter of FY 2005. Major projects on which funds were expended during the quarter included Town Center redevelopment, traffic calming and pedestrian safety projects throughout the City, and concrete improvements and asphalt pavement maintenance.

The major issue in the CIP is the cost of the Town Center parking garages. Costs have increased by between \$5.5 and \$6.5 million above the amount anticipated at the time that the last financing plan was developed in April. Revised information will be forwarded to the City's financial advisors within the next few weeks so the impact of this cost increase on debt service costs and the gap between available revenue and expenses can be ascertained.

## VII. ENTERPRISE FUNDS REVENUES AND EXPENSES

Note: Expenses include non-cash outlays such as depreciation

### Water Fund Comparison of Actual to Budgeted Revenue and Expenses For the Period Ended September 30, 2004

	(1)			(2)				
	FY 2005 Adopted Budget	FY 2005 Actual As of 09/04	Percent Realized	FY 2004 Adopted Budget	FY 2004 Actual As of 09/03	Percent Realized	(1-2) Variance	Notes
Revenues								
Charges for Services:								
Utility Charges	3,560,860	582,320	16.35%	3,338,014	122,911	3.68%	459,409	(1)
Water Connections	791,200	27,800	3.51%	591,200	170,800	28.89%	(143,000)	(2)
Sales of Materials	126,000	6,428	5.10%	126,000	38,408	30.48%	(31,980)	(2)
Interest Income	21,452	16,725	77.96%	54,018	25,498	47.20%	(8,773)	
Miscellaneous Revenues	2,987	-	100.00%	-	-	100.00%	-	
Other Financing Sources:								
Transfers Other Funds	411,860	-	0.00%	340,580	-	0.00%	-	
Total Revenues	4,914,359	633,273	12.89%	4,449,812	357,617	8.04%	275,656	
Expenses								
Personnel	2,030,289	474,585	23.38%	1,967,785	119,957	6.10%	354,628	(1)
Operating	1,088,409	219,553	20.17%	1,059,202	216,251	20.42%	3,302	(3)
Capital	306,221	18,957	6.19%	182,000	63,181	34.71%	(44,224)	
Debt service, transfers and other	1,616,369	115,383	7.14%	1,792,802	29,993	1.67%	85,390	
Total Expenses	5,041,288	828,478	16.43%	5,001,789	429,382	8.58%	399,096	
Net Income/Loss	(126,929)	(195,205)	153.79%	(551,977)	(71,765)	3.68%	459,409	

#### Notes to Water Fund Schedule:

- 1) These variances are mainly due to an accounting change. Beginning in FY05, accrual reversals are being done at the end of the fiscal year rather than at the beginning. This will allow for a clearer presentation of financial data that will be free of the artificial variations caused by accruals and accrual reversals.
- 2) Revenues from water connections and sales of materials are dependent on new construction, which varies widely from year to year.
- 3) Public works reports that chemical costs will be \$90,000 more in FY05 than they were in FY04.

**Sewer Fund Comparison of Actual to Budgeted Revenue and Expenses  
For the Period Ended September 30, 2004**

	(1)			(2)				
	FY 2005	FY 2005		FY 2004	FY 2004			
	Adopted	Actual	Percent	Adopted	Actual	Percent	(1-2)	
	Budget	As of 09/04	Realized	Budget	As of 09/03	Realized	Variance	Notes
<b>Revenues</b>								
Charges for Services								
Utility Charges	5,718,718	954,004	16.68%	5,467,666	169,668	3.10%	784,336	(1)
Sewer Connections	864,000	26,100	3.02%	645,600	187,900	29.10%	(161,800)	(2)
Interest Earnings	34,515	14,840	43.00%	57,252	23,858	41.67%	(9,018)	
Miscellaneous Revenues	3,261	-	100.00%	-	-	100.00%	0	
<b>Total Revenues</b>	<b>6,620,494</b>	<b>994,944</b>	<b>15.03%</b>	<b>6,170,518</b>	<b>381,426</b>	<b>6.18%</b>	<b>613,518</b>	
<b>Expenses</b>								
Personnel	1,029,141	220,859	21.46%	850,966	132,456	15.57%	88,403	(1)
Operating	2,494,510	547,845	21.96%	2,825,142	45,196	1.60%	502,649	
Capital	1,796	-	0.00%	-	-	100.00%		
Debt service, transfers and other	1,805,463	114,294	6.33%	1,504,248	(22,097)	-1.47%	136,391	
<b>Total Expenses</b>	<b>5,330,910</b>	<b>882,998</b>	<b>16.56%</b>	<b>5,180,356</b>	<b>155,555</b>	<b>3.00%</b>	<b>727,443</b>	
<b>Net Income/Loss</b>	<b>1,289,584</b>	<b>111,946</b>	<b>8.68%</b>	<b>990,162</b>	<b>225,871</b>	<b>22.81%</b>	<b>(113,925)</b>	

Notes to Sewer Fund Schedule:

- 1) These variances are mainly due to an accounting change. Beginning in FY05, accrual reversals are being done at the end of the fiscal year rather than at the beginning. This will allow for a clearer presentation of financial data that will be free of the artificial variations caused by accruals and accrual reversals.
- 2) Revenues from sewer connections and sales of materials are dependent on new construction, which varies widely from year to year.

**Refuse Fund Comparison of Actual to Budgeted Revenue and Expenses  
For the Period Ended September 30, 2004**

	(1)			(2)				
	FY 2005	FY 2005		FY 2004	FY 2004		(1-2)	
	Adopted	Actual	Percent	Adopted	Actual	Percent		
	Budget	As of 09/04	Realized	Budget	As of 09/03	Realized	Variance	Notes
<b>Revenues</b>								
Charges for Services:								
Utility Charges	4,521,382	708,105	15.66%	4,058,406	(2,366)	-0.06%	710,471	(1)
Interest Earnings	-	1,087	100.00%	2,746	1,314	47.85%	(1,227)	
Miscellaneous Revenues	-	-	100.00%	-	-	100.00%		
Other Financing Sources:								
Transfers Other Funds	36,792	-	0.00%	36,792	-	0.00%	-	
<b>Total Revenues</b>	<b>4,558,174</b>	<b>709,192</b>	<b>15.56%</b>	<b>4,097,944</b>	<b>(1,052)</b>	<b>-0.03%</b>	<b>710,244</b>	
<b>Expenses</b>								
Personnel	2,916,552	611,086	20.95%	2,697,858	312,582	11.59%	298,504	(1)
Operating	1,319,709	226,401	17.16%	1,146,304	200,041	17.45%	26,360	
Capital	13,466	-	0.00%	8,000	-	0.00%	-	
Debt service, transfers and other	883,281	8,629	0.98%	933,308	(3,840)	-0.41%	12,469	
<b>Total Expenses</b>	<b>5,133,008</b>	<b>846,116</b>	<b>16.48%</b>	<b>4,785,470</b>	<b>508,783</b>	<b>10.63%</b>	<b>337,333</b>	
<b>Net Income/Loss</b>	<b>(574,834)</b>	<b>(136,924)</b>	<b>23.82%</b>	<b>(687,526)</b>	<b>(509,835)</b>	<b>74.16%</b>	<b>372,911</b>	

Notes to Refuse Fund Schedule:

- 1) These variances are mainly due to an accounting change. Beginning in FY05, accrual reversals are being done at the end of the fiscal year rather than at the beginning. This will allow for a clearer presentation of financial data that will be free of the artificial variations caused by accruals and accrual reversals.

**Parking Fund Comparison of Actual to Budgeted Revenue and Expenses  
For the Period Ended September 30, 2004**

	(1)			(2)			(1-2)	Notes
	FY 2005 Adopted Budget	FY 2005 Actual As of 09/04	Percent Realized	FY 2004 Adopted Budget	FY 2004 Actual As of 09/03	Percent Realized	Variance	
<b>Revenues</b>								
<i>Meter Revenue</i>								
Meter Fees	530,700	38,109	7.18%	268,818	24,976	9.29%	13,133	
Meter Violations	459,054	82,351	17.94%	435,389	48,690	11.18%	33,661	
<i>Sub-total</i>	989,754	120,460	12.17%	704,207	73,666	10.46%	46,794	
<i>Parking and Other Revenue</i>								
Parking Lot Receipts	-	-	0.00%	15,000	-	0.00%	-	
Parking Violations	54,900	40,461	73.70%	181,662	26,385	14.52%	14,076	
Interest Earnings	6,000	2,009	33.48%	6,000	1,640	27.33%	369	
<i>Sub-total</i>	60,900	42,470	69.74%	202,662	28,025	13.83%	14,445	
<b>Total Revenues</b>	<b>1,050,654</b>	<b>162,930</b>	<b>15.51%</b>	<b>906,869</b>	<b>101,691</b>	<b>11.21%</b>	<b>61,239</b>	
<b>Expenses</b>								
<i>Meter-Related Expenses</i>								
Personnel	78,264	19,349	24.72%	72,408	6,934	9.58%	12,415	(1)
Other	28,581	621	2.17%	117,463	383	0.33%	238	
<i>Sub-total</i>	106,845	19,970	18.69%	189,871	7,317	3.85%	12,653	
<i>Parking and Other Expenses</i>								
Personnel	1,264	1,264	100.00%	12,598	(503)	-3.99%	1,767	
Other	148,544	1,023	0.69%	4,050	215	5.31%	808	
<i>Sub-total</i>	149,808	2,287	1.53%	16,648	(288)	-1.73%	2,575	
<b>Total Expenses</b>	<b>256,653</b>	<b>22,257</b>	<b>8.67%</b>	<b>206,519</b>	<b>7,029</b>	<b>3.40%</b>	<b>15,228</b>	
<b>Net Income/Loss</b>	<b>794,001</b>	<b>140,673</b>	<b>17.72%</b>	<b>700,350</b>	<b>94,662</b>	<b>13.52%</b>	<b>46,011</b>	

Notes to Parking Fund Schedule:

- 1) These variances are mainly due to an accounting change. Beginning in FY05, accrual reversals are being done at the end of the fiscal year rather than at the beginning. This will allow for a clearer presentation of financial data that will be free of the artificial variations caused by accruals and accrual reversals.

**Stormwater Management Fund**  
**Comparison of Actual to Budgeted Revenue and Expenses**  
**For the Period Ended September 30, 2004**

	(1)			(2)				
	FY 2005	FY 2005		FY 2004	FY 2004		(1-2)	
	Adopted	Actual	Percent	Adopted	Actual	Percent		
	Budget	As of 09/04	Realized	Budget	As of 09/03	Realized	Variance	Notes
<b>Revenues</b>								
Stormwater Permits	200,000	99,115	49.56%	250,000	220,903	88.36%	(121,788)	(1)
SWM Waivers	200,000	597,820	298.91%	200,000	149,620	74.81%	448,200	(1)
Interest Earnings	140,362	20,214	14.40%	134,371	20,869	15.53%	(655)	
<b>Total Revenues</b>	<b>540,362</b>	<b>717,149</b>	<b>132.72%</b>	<b>584,371</b>	<b>391,392</b>	<b>66.98%</b>	<b>325,757</b>	
<b>Expenses</b>								
Personnel	416,968	94,454	22.65%	391,560	62,074	15.85%	32,380	(2)
Operating	432,160	17,733	4.10%	272,465	20,118	7.38%	(2,385)	
Capital	-	-	100.00%	-	-	100.00%	-	
Debt service, transfers and other	248,241	-	0.00%	244,249	-	0.00%	-	
<b>Total Expenses</b>	<b>1,097,369</b>	<b>112,187</b>	<b>10.22%</b>	<b>908,274</b>	<b>82,192</b>	<b>9.05%</b>	<b>29,995</b>	
<b>Net Income/Loss</b>	<b>(557,007)</b>	<b>604,962</b>	<b>-108.61%</b>	<b>(323,903)</b>	<b>309,200</b>	<b>-95.46%</b>	<b>295,762</b>	

Notes to Stormwater Management Fund Schedule:

- 1) Revenue from stormwater permits and waivers is difficult to estimate because a substantial amount of the revenue comes from a small number of large projects that may be under consideration by a developer for a long period of time, during which the scope or feasibility of the project can change considerably.
- 2) This variance is mainly due to an accounting change. Beginning in FY05, accrual reversals are being done at the end of the fiscal year rather than at the beginning. This will allow for a clearer presentation of financial data that will be free of the artificial variations caused by accruals and accrual reversals.

**RedGate Golf Course Fund**  
**Comparison of Actual to Budgeted Revenue and Expenses**  
**For the Period Ended September 30, 2004**

	(1)			(2)				
	FY 2005	FY 2005		FY 2004	FY 2004		(1-2)	
	Adopted	Actual	Percent	Adopted	Actual	Percent	Variance	Notes
	Budget	As of 09/04	Realized	Budget	As of 09/03	Realized		
<b>Revenues</b>								
Charges for Services:								
Golf and cart fees	1,407,540	391,911	27.84%	1,375,208	452,021	32.87%	(60,110)	(1)
Interest Earnings	-	5	100.00%	-	-	100.00%	5	
Transfers Other Funds	-	-	-	-	-	-	-	
<b>Total Revenues</b>	<b>1,407,540</b>	<b>391,916</b>	<b>27.84%</b>	<b>1,375,208</b>	<b>452,021</b>	<b>32.87%</b>	<b>(60,105)</b>	
<b>Expenses</b>								
Personal services	796,932	208,498	26.16%	737,659	83,588	11.33%	124,910	(1)
Operating	350,996	94,022	26.79%	343,938	73,360	21.33%	20,662	(1)
Capital	110,220	20,783	18.86%	93,740	4,660	4.97%	16,123	
Debt service, transfers and other	198,682	6,301	3.17%	201,509	-	0.00%	6,301	
<b>Total Expenses</b>	<b>1,456,830</b>	<b>329,604</b>	<b>22.62%</b>	<b>1,376,846</b>	<b>161,608</b>	<b>11.74%</b>	<b>167,996</b>	
<b>Net Income/Loss</b>	<b>(49,290)</b>	<b>62,312</b>	<b>-126.42%</b>	<b>(1,638)</b>	<b>290,413</b>	<b>-17729.73%</b>	<b>(228,101)</b>	

Notes to the RedGate Golf Course Fund Schedule:

- 1) These variances are mainly due to an accounting change. Beginning in FY05, accrual reversals are being done at the end of the fiscal year rather than at the beginning. This will allow for a clearer presentation of financial data that will be free of the artificial variations caused by accruals and accrual reversals.

## **VIII. Major Variances and Issues to Monitor in FY 2005**

### **General Fund:**

- *Rental income:* The FY05 rental income projection included \$30,000 for the King Farm homestead property. Assuming that the property will not be rented in FY05, rental income should be reduced by \$30,000. This would be included in the first budget amendment.
- *Red light camera revenue:* First quarter revenues are significantly higher than last year because the City is using higher quality cameras and has changed the location of the cameras. Revenues should continue to outpace FY04 because all seven cameras were not installed until midway through the first quarter.
- *Retirement plan:* The budget for FY05 retirement costs has been reviewed in light of the actuarial report that was recently received; the initial estimate is that retirement costs in the General Fund may be under budget by approximately \$65,000. This issue will be addressed in the first budget amendment.
- *Utilities:* Utility expenditures are running approximately ten percent ahead of last year at this point, but budgets have been increased by thirty percent, indicating that there may not be a need to provide additional utility funding in FY05. Nonetheless, there are projections of deficits in some electricity accounts if the current pace of spending on electricity continues. The Civic Center, for example, reports electricity costs up 24 percent from last year.

### **Capital Projects Fund:**

- *Level of expenditures:* As indicated in Section VI above, the Town Center project has geometrically increased the City's expenditures from this fund. The extent to which the City will need to advance funds for this project in anticipation of future reimbursements has implications for overall financial management.
- *Reimbursement for Police Technology expenditures:* The City received a federal grant in the amount of \$1.5 million for the Police Technology project. An issue concerning the start date for this grant that could jeopardize receipt of almost half of the funds. City staff is in the process of requesting a change to the start date to allow inclusion of the earlier expenditures. The attached memo discusses this matter in detail.

### **Water and Sewer Funds:**

- *Level of water production:* The City's water production in FY 2004 was 6.8% below the amount produced in FY 2003. As a result, revenue is less than anticipated in both the Water and Sewer funds. This outcome has implications for the FY 2005 budget and the



multi-year cash flow for these funds. Weather and other factors influence the amount of water produced and billed on an annual basis.

- *Sewer Fund costs from WSSC:* The City has been notified by WSSC that increased spending at the Blue Plains facility could result in increased City costs in FY 2005. In addition, WSSC is close to settling with DCWASA (the administrator of the Blue Plains treatment plant) on several large outstanding claims; a portion of this cost will be passed on to the City as well. Staff is working to determine the potential amount of these increases.

**RedGate Golf Course Fund:**

- The attached memo on the RedGate Golf Course discusses detailed plans for implementing spending cuts.



City of Rockville

## MEMORANDUM

November 9, 2004

TO: Donna Boxer, Director of Finance  
Terrance Treschuk, Chief of Police

FROM: W. Bowman Ferguson, Assistant to the City Manager

SUBJECT: COPS Funding Status

This memorandum updates the status of our FY03 COPS grant, obtained through the federal appropriations process. In summary, we are still lobbying the Director of the COPS program with support from Holland and Knight and Senator Mikulski's office to obtain reimbursement for our 800 MHz expenditures in the Police Department.

### Background

In 2000, the City identified the need to make a significant capital expenditure to replace and upgrade our communications equipment in order to be compatible with the County's new 800 megahertz communication system. CIP funding was first allocated in the City's FY01 budget with expenditures predicted to begin in FY02. The original cost estimate from Montgomery County was for \$580,000. By FY02, projected costs had risen to \$700,000 and by FY03, the County estimate had risen again to over \$1 million, with most of the expenditures pushed back into FY03 because the County had delays in implementing the new system.

Just as we were beginning to plan the first 800 megahertz equipment purchases, the City began efforts to pursue federal appropriations for the first time. As we considered areas in which to request money, police technology was identified as a likely source to obtain funding. A request was formulated that would completely fund our 800 megahertz conversion at a total of about \$1 million and was formally submitted February of 2002.

Soon after, we received word from the County that the switch to the 800 megahertz system was imminent and we would need to begin our installation. Our first purchases of equipment occurred in May 2002. At the time, we were of the understanding that a federal allocation for Police technology would cover our purchases regardless of their purchase date because the request was project-specific, not date-specific. Our understanding of the federal appropriations process was limited at this early stage. In the late spring, we received early word that our federal request would likely be successful, and we continued our purchases throughout 2002 and 2003 with confidence.

After official notice was received in February 2003 that our police technology request was fully funded, the FY04 CIP was prepared reflecting the federal funding of \$923,832. The approval of

the federal appropriation allowed for reprogramming of the same amount of CIP funding to other projects.

After we received notice of the federal award, our Police Department began filing the necessary paperwork to receive reimbursement from the COPS program. It was only well after the paperwork was filed that we were notified that the COPS program had concerns about the timing of our expenditures and their willingness to reimburse us. To date, the staff at the COPS program have refused to reimburse the city for any expenditures made prior to passage of the FY03 federal budget in February 2003.

#### Current Status

The federal grant was awarded as part of the Federal FY03 budget, which commenced on October 2002, but the budget was not passed until February 2003. The city maintains and has argued to the grant administrators that all of our expenditures should be approved for reimbursement because we were forced to spend the money to meet the Montgomery County deadline and our request was project specific, not budget-year specific. However, at the very least, we feel it is appropriate for the program to reimburse expenditures made after October 2002 when the federal FY03 budget year commenced.

Holland & Knight is in the process of working with the COPS program to get our request approved. Having been recently denied by the regional Program Director, David Winstead has scheduled meetings this week with Senator Barbara Mikulski's staff and with COPS Program Director Tom Frazier. We remain hopeful that these meetings will result in the release of the funding.

#### Scenarios

There are three funding scenarios that could play out, depending on the result of our appeal to the COPS Program Director.

- **Full Funding**-The City is reimbursed for the entire grant amount of \$983,832.
- **Federal FY03 Reimbursement**- The City is reimbursed for any funds spent after October 2002 (the start of the Federal FY03 budget year) in the amount of \$534,773
- **Request denied**- The City is reimbursed for expenditures made after February 2003 in the amount of \$58,229.

Regardless of the decision, the City is entitled to the total grant award of \$923,832, but will need to identify new uses for any funding that is not allowed for reimbursement of any 800 megahertz equipment expenditures. Any non-reimbursed expenditures will be reclassified in the CIP as city-funded and result in a commensurate charge to the Capital Projects fund. We expect a final decision from the COPS administrator this month. I will update you as I receive new information. Please let me know if you have any questions.



City of Rockville

## MEMORANDUM

November 9, 2004

TO: Catherine Tuck Parrish, Acting City Manager

FROM: Ray Evans, Golf Course Superintendent *RE*

VIA: Burt Hall, Director of Recreation and Parks *Burt*

SUBJECT: RedGate Golf Course Budget

RedGate Golf Course revenues for FY04 were the highest in the course's history, \$1,151,000, \$187,000 higher than FY03 totals, an increase of 19.4%. Significantly higher rounds played and overall increased revenues resulted from an aggressive marketing campaign, a variety of successful customer discount incentives, and somewhat more favorable weather. Expenses were also curtailed throughout FY04, by leaving one full-time maintenance position vacant, reductions in clubhouse staffing, postponement of equipment replacements, and reductions in purchases of materials and supplies. Despite higher revenues and restricted spending, RedGate finished FY04 with a small net loss in cash - \$9,440. The large gap between revenues and expenditures in FY03 was closed in FY04.

First quarter revenues for FY05 were 2% higher than first quarter FY04. Final revenues are projected to be approximately 5% higher than FY04 totals. With increases in Personnel and other costs, it became clearly necessary to substantially lower expenditures. By making a number of structural changes to the expenditure budget RedGate will be able to cover all of its operating and capital costs in FY05, and in future years.

The following expenditure reductions for FY05 will be implemented.

### **3401 – Golf Maintenance Operations**

#### Personnel

Reduce full time salaries through the abolishment of two Golf Course Technician positions both of which are currently occupied. This action was taken on November 3, 2004. The Golf Course Technician position that is currently vacant will remain unfilled. It will be necessary to expend somewhat more than is budgeted on part time/temporary staff in order to sustain a reduced but adequate level of course maintenance. Funds to support this part-time staffing will be shifted from the vacant Golf Technician position to cover these expenses. The net result of these actions will to reduce personnel expenditures by \$59,168. Overtime expenditures will also be reduced by \$4,816. This will be accomplished by using part-time staff that will not work more than 40 hours per week in lieu of full-time personnel.

Total Reduction: \$63,984

TO: Catherine Tuck Parrish, Acting City Manager  
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Non-Personnel

Spending Reductions: \$50 from Telephone, \$2,100 from Travel, \$190 from Professional Development, \$500 from Dues, \$118 from Contracted Services Buildings, \$2,500 from Contracted Equipment Repairs, \$1,815 from Uniform Rental, \$500 from Printing, \$500 from Gas and Oil, \$10,000 from Equipment Parts, \$10,000 from Maintenance Supplies, \$10,000 from Chemicals, \$1,600 from Purchased Uniforms, and \$3,000 from Contingency. The major impacts of these reductions will be in the areas of Maintenance Supplies and Chemicals. Making these reductions will mean the elimination of programs such as non-fairway fertilization and weed control, severe reduction in the planting of annuals, the elimination of some ornamental bedding areas and reductions in fairway fungicide applications.

Total reduction: \$42,873

Capital

Spending Reductions: \$5,000 from Site Preparation, \$10,000 from Major Repairs and Renovations, and \$27,500 from Equipment Replacement. It should be noted that this will be the third year without any substantial equipment replacements. This practice cannot be continued much longer without impacting essential operations.

Total reduction: \$42,500.

**Total Reductions in 3401- Golf Maintenance Operations**

These reductions will result in a decrease of \$149,357 from the approved FY05 Budget, and a reduction in spending of \$34,045 below FY04 Actual.

**3402 – Clubhouse Operations**

Personnel

The currently vacant 3<sup>rd</sup> Assistant Pro position will remain unfilled at this time and part-time personnel will be used on an as-needed basis to reduce personnel costs by \$34,412 from the FY05 budget.

Total reduction: \$34,412

Non-Personnel

Spending Reductions: \$1,014 from Professional Development, \$1,050 from Travel, \$8,186 from Contracted Services Buildings, \$3,000 from Printing, \$2,500 from Program Supplies, \$2,000 from Maintenance Supplies, \$1,000 from Furniture and Equipment, and \$2,000 from Purchased Staff Shirts, \$1,500 from Trophies, \$800 from Alarm. These reductions will impact customer service in only minimal ways.

Total reduction: \$23,050

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**Total Reductions in 3402- – Clubhouse Operations**

These reductions will result in a decrease of \$57,462 from the approved FY05 Budget and reflect an increase in spending of \$11,351 over FY04 actual. Clubhouse Operations spending includes the purchase of six additional golf carts, which were purchased to support course rentals (outings) and are resulting in increased revenues.

**Total Reductions**

Overall the recommended cuts and spending reductions reflect a reduction in the FY05 Golf Course Operating Budget of \$206,819. The approved FY05 Budget is \$1,131,665. This represents a reduction of \$22,694 in relation to actual FY04 expenditures.

I am attaching a comparison sheet that shows FY04 Budget, FY04 Actual, FY05 Budget and FY05 Targets. The FY05 Targets are attainable but these reductions in staffing levels, materials, supplies, contracts, etc. will have some effects on customer service and maintenance levels. Our goal will be to minimize those negative effects.

I believe that all of the information you requested has been included but if you need anything further let me know.

cc: Dominic Del Pozzo, Budget Officer  
Donna Boxer, Director of Finance  
Kieron Mooney, Head Golf Professional

3401	FY04 Budget	FY04 Actual	FY05 Budget	FY05 Target
Full Time Pay	343,671	352,625	389,415	330,527
Temp. Pay	24,224	47,292	24,224	41,000
Overtime	25,183	27,069	26,816	22,000
Benefits	82,496	79,935	96,136	79,080
0100 Total	475,574	506,921	536,591	472,607
Telephone	50	0	50	0
Travel	2,100	1,444	2,100	0
Prof. Develop.	1,990	1,615	1,990	1,800
Dues	1,500	947	1,500	1,000
Contract S ervs. Bldg	3,418	3,301	3,418	3,300
Contract S ervs. Grds	22,000	21,015	21,353	21,353
Contract Equip. Rprs.	8,500	2,284	8,500	6,000
Dump Fees	500	539	500	500
Uniform Rental	4,615	2,795	4,615	2,800
Printing.	500	0	500	0
Equip. Rental	2,000	1,918	2,000	2,000
0200 Total	47,173	35,858	46,526	38,753
Electricity	9,846	3,110	9,846	9,846
Gas & Oil	1,000	107	1,000	500
Equip. Parts	40,000	25,346	40,000	30,000
Maint. Supplies	59,105	57,438	59,355	49,355
Chemicals	70,670	63,370	70,670	60,670
Purchased Uniforms	2,100	132	2,100	500
Shoe Allowance	250	0	0	0
Contingency	3,000	0	3,000	0
0300 Total	185,971	149,503	185,971	150,871
Site Preparation	5,000	0	5,000	0
Major Repairs	10,000	3,926	10,000	0
Equip. Replacement	35,500	8,068	35,500	8,000
0400 total	50,500	11,994	50,500	8,000
3401 Total	759,218	704,276	819,588	670,231

3402	FY04 Budget	FY04 Actual	FY05 Budget	FY05 Target
Full Time Pay	130,521	129,522	135,203	131,751
Temp. Pay	44,592	22,258	44,592	20,000
Overtime	2403	0	0	0
Benefits	31,144	26,464	38,868	32,500
0100 Total	208,660	178,244	218,663	184,251
Telephone	3,000	3,819	3,000	3,000
Advertising	10,400	6,776	10,400	10,400
Jantorial Serv.	4,296	4,296	4,296	4,296
Travel	1,050	0	1,050	0
Prof. Develop.	2,030	0	2,030	0
Dues	1,000	2,016	1,000	2,016
Contract Servs. Bldg.	13,800	7,576	13,800	5,614
Alarm	800	0	800	0
Refuse	2,138	2,139	2,138	2,138
Printing	3,000	1,991	3,000	0
0200 Total	41,514	28,613	41,514	27,464
Electricity	19,500	20,773	19,500	19,500
Equip. Parts	5,000	4,515	5,000	5,000
Program Supplies	5,500	3,999	5,500	3,000
Maint. Supplies	3,000	5,138	3,000	1,000
Purchased shirts	2,000	1,982	2,000	0
Furn. And Equip.	1,000	0	1,000	0
Trophies	1,500	0	1,500	0
0300 Total	37,500	36,407	37,500	28,500
Equip. Replacement	14,400	0	14,400	14,400
0400 Total	14,400	0	14,400	14,400
3402 Total	302,074	243,264	312,077	254,615